From fiction to fact: the growing role of generative AI in business and finance

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Abstract

ABSTRACT Generative Artificial Intelligence (AI), such as ChatGPT by OpenAI, has revolutionized the business world, with benefits including improved accessibility, efficiency, and cost reduction. This article reviews recent developments of generative AI in business and finance, summarizes its practical applications, provides examples of the latest generative AI tools, and demonstrates that generative AI can revolutionize data analysis in industry and academia. To test the ability of generative AI to support decision-making in financial markets, we use the ChatGPT to capture corporate sentiments towards environmental policy by inputting text extracted from corporate financial statements. Our results demonstrate that the sentiment scores generated by ChatGPT can predict firms' risk-management capabilities and stock return performance. This study also highlights the potential challenges and limitations associated with generative AI. Finally, we propose several questions for future research at the intersection of generative AI with business and finance.